BACKGROUND

The application "Financial Instruments Derived from Root Products..." along with supplementary applications "Developing Root Products.." and "A Hybrid Trading Platform" are Continuation In Part of a nonprovisional application "Risk Management for Manufacturing" submitted in August 2000. Later on, another application for cash management system (Open Clearing System) was submitted to complete the risk management cycle. The basic idea was to introduce a comprehensive model of risk management to a new business environment of manufacturing. Such an application of risk management, as proven in financial markets, will enhance manufacturing efficiency and productivity.

OVERVIEW

The basic idea of designing semi standard "contract" is to facilitate liquidity of a multilateral trading platform. To do so a contracts must behave as standard non exclusive tradable financial instrument for transferring risk to a **risk taker** -who may not necessarily be a purchaser of goods nor an end user of physical product.

Contracts are two types: i) short tern and static covering exchange of goods and services including auction and, ii) long term and dynamic exchange of contracts exemplified as forwards and futures. The term general condition of contract means all conditions including legal, delivery dates and specifications of goods and service are fixed. The term particular conditions of contract refers to specific changes made to general condition due to particular goods or services of the contract. A semi standard contract then is a combination of fix and variable terms of contract. In manufacturing there are many contracts that fall into this category provided their exact value-added is quantified and unified. They are simply identified as "in-process", that is, from process A to B. The least value-added product is then, a root product. An example would be a copper bar or aluminum ingot or a chemical base material. Once these value-added products are established semi standard contracts are structured as combination of general condition (standard terms) and